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Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030009-6

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CIA/OER/S-06288-74

S-6288

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28 June 1974

MEMORANDUM FOR: Claus Ruser

SUBJECT : Available Oil Stocks

1. On 1 April 1974, the American Petroleum Institute stated US oil stocks as 964 million barrels (attachment 1). Of these stocks, we estimate that 578 mb could have substituted for imports. This means that the US held stocks equivalent to 93 days of imports.

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3. Regarding stocks held by other countries, we note that all European members of the OECD do not reports stocks on a timely basis. Those who reported on 1 April 1974 counted drawable stocks of 625 mb, of which we estimate that 594 mb were actually available. For the reporting countries, the OECD also estimated that available stocks were equivalent to 78 days of inland consumption. Domestic oil production in Western Europe is negligible, so the OECD estimate implies 78 days of imports. We adjust this to 74 days. For Japan, current imports are 5.4 mb/d, and we estimate that drawable Japanese stocks equal 44 days of imports.

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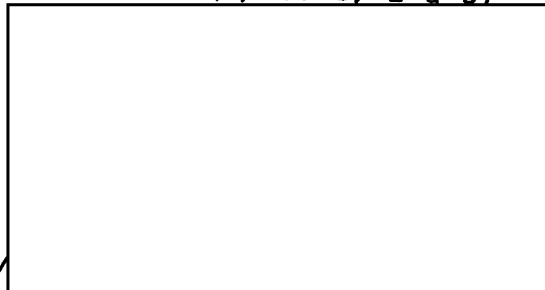
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Distribution: (S-6288)

Orig & 1 - Claus Ruser - State Dept.
(w/att 1, 2 & 3)



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ATTACHMENT 3

CIA/OER

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Oil Stocks in the Industrialized Nations

Reporting and Definitions

US stocks of crude oil and products are reported on a weekly basis to the American Petroleum Institute (API) by companies engaged in refining, transport, and storage. The API processes this information and releases it to the public with approximately one week's delay. The reports exclude stocks held by consumers or in retail outlets but do not otherwise attempt to distinguish between available and non-available supplies. Both the Europeans and Japanese attempt to exclude non-available stocks from their reports. These exclusions are presented in Table 1.

Conversion of Published Stocks to Available Stocks

Table 2 lists the additional exclusions that must be made to reduce US, Japanese, and OECD published stocks to available stocks. A 40% reduction is required in the US case, whereas Japanese and OECD stocks need only a 5% reduction.

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Table 1

Comparative Petroleum Stock Definitions
USA, OECD, and Japan

	USA	European OECD	Japan
<u>Stocks include:</u>			
1. Crude oil, finished products, and unfinished components over which the government can exercise control in case of emergency	No	Yes	Yes
2. Crude oil, finished products, and unfinished components including those over which the government may not have control in case of emergency	Yes	No	No
<u>Stocks exclude:</u>			
1. Stocks held by consumers	Yes	Yes	Yes
2. Stocks located in service stations and other commercial outlets	Yes	Yes	Yes
3. Military stocks	Yes	Yes	Yes
4. Oil in tankers	Yes ^{1/}	Yes	Yes
5. Oil in bunkers for seagoing vessels	No	Yes	No
6. Oil in pipelines	No	Yes	Yes ^{2/}
<u>Stocks are categorized:</u>			
1. By product, with crude oil stocks being converted into product equivalents at fixed ratios	No	Yes	No
2. As products or crude oil on an unadjusted volume basis	Yes	No	Yes

^{1/} US stocks exclude only one-half of average size of water cargo receipts of refined products.

^{2/} Oil is a few small pipelines from Japan, but excluded.

Table 2

Stock Conversion

	USA	European OECD	Japan
To convert total published stocks into available stocks, one must exclude:			
1. Content of storage tank bottoms	Yes	Yes	Yes
2. Minimum quantities required to assure continuous processing, handling, and blending of various grades of crude oil or product	Yes	Yes	Yes
3. Oil in pipelines	Yes	No	No
4. Oil in bunkers for seagoing vessels	Yes	No	Yes
5. A product equivalent for crude oil stocks	Yes	No	Yes
The Net Adjustment Will Be:	-40%	-5%	-10%

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The conversion of 1 April 1974 published stocks to available stocks is illustrated below in millions of barrels:

	<u>USA</u>	<u>OECD**</u>	<u>Japan</u>
Published Stocks	964	625	250
Nonavailable Stocks	386	31	25
Available Stocks	578	594	225

** Based on incomplete data

Stocks in Terms of Days of Consumption

Unlike the United States, Japan and OECD Europe publish stock data in terms of days of consumption. The OECD figure -- a weighted average of all European member countries -- is incomplete in that not all members are up to date in their reporting. The Japanese figure is based on current consumption projections and thus is only inflated by the 5% difference between available and published stocks. The tabulation indicates the relationship between published days of consumption and adjusted days of consumption.

	<u>USA</u>	<u>OECD</u>	<u>Japan</u>
Published days of consumption	N.A.	78	49
Adjustment	N.A.	4	5
Adjusted days of consumption	34	74	44

Because of large domestic production, the days of consumption figure is not very important for the United States. A more meaningful figure would be days of imports -- 93 days as of 1 April 1974.

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Stocks of Crude Oil and Petroleum Products

The portion of stocks held in the form of crude oil and finished products varies by area. In the United States about 25% of total stocks are crude oil compared to about 33% in OECD Europe and nearly 50% in Japan. The differences probably reflect the wider distribution system for products in the United States.

Reporting of stocks by OECD Europe and Japan takes into account the fact that crude oil stocks will incur processing losses when converted into products. The United States reporting does not, however, because US petroleum consumption is heavily weighted with light products such as gasoline, refineries actually incur a small processing gain.

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Additions to Stocks

Additional storage capacity built for the purpose of use during a time of emergency probably can be considered to be 90 - 95% available. Oil in tank bottom and for pipeline fill would not be available. Although it is difficult to quantify, about 5 - 10% unavailability is considered reasonable.

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